



Direct staff to incorporate the 100 percent Supply Alternative as the demand management cost recovery method used in the proposals for rates and charges

Special Board Meeting
Item 7-1
November 23, 2021

Background

- Over the past 11 months, the Rate Refinement Workgroup has met 13 times and has reviewed 11 alternatives.
- In August, the Rate Refinement Workgroup reduced the alternatives to 8 which were forwarded to the Board.
- Only 5 of the 11 alternatives remained after the September 2021 court decision, which included some alternatives previously eliminated by the Rate Refinement Workgroup.
- Per Board direction, the Rate Refinement Workgroup met on November 18, 2021 to review the remaining alternatives.
- The Rate Refinement Workgroup formed a consensus to recommend the 100% Supply Alternative.

Estimated 2021 Member Agency Impacts of Demand Management Cost Recovery Alternative

Based on Hypothetical \$100M Demand Management Revenue Requirement

Thousand of Dollars

	100% Supply
Anaheim	\$ 988
Beverly Hills	724
Burbank	1,005
Calleguas MWD	6,387
Central Basin MWD	2,741
Compton	0
Eastern MWD	6,447
Foothill MWD	564
Fullerton	479
Glendale	1,082
Inland Empire	3,875
Las Virgenes MWD	1,395
Long Beach	2,114
Los Angeles	17,616
MWDOC	14,754
Pasadena	1,295
SDCWA	16,491
San Fernando	1
San Marino	64
Santa Ana	626
Santa Monica	256
Three Valleys MWD	4,370
Torrance	1,087
Upper San Gabriel	2,837
West Basin MWD	8,045
Western MWD	4,756
Total MWD	\$ 100,000

100% Supply based on average sales from FY 2015 to FY 2019.

Requested Action

- Direct staff to incorporate the 100 percent Supply Alternative as the demand management cost recovery method used in the proposals for rates and charges

Board Options

- Option #1
 - Adopt CEQA determination
 - Direct staff to incorporate the 100 percent Supply Alternative as the demand management cost recovery method used in the proposals for rates and charges.
- Option #2
 - Do not direct staff to incorporate the 100 percent Supply Alternative as the demand management cost recovery method in the proposals for rates and charges.

Staff Recommendation

- Option #1
 - Adopt CEQA determination
 - Direct staff to incorporate the 100 percent Supply Alternative as the demand management cost recovery method used in the proposals for rates and charges.

Additional Information requested by the Board: Metropolitan's Reserve Policy

MWD Administrative Code § 5202

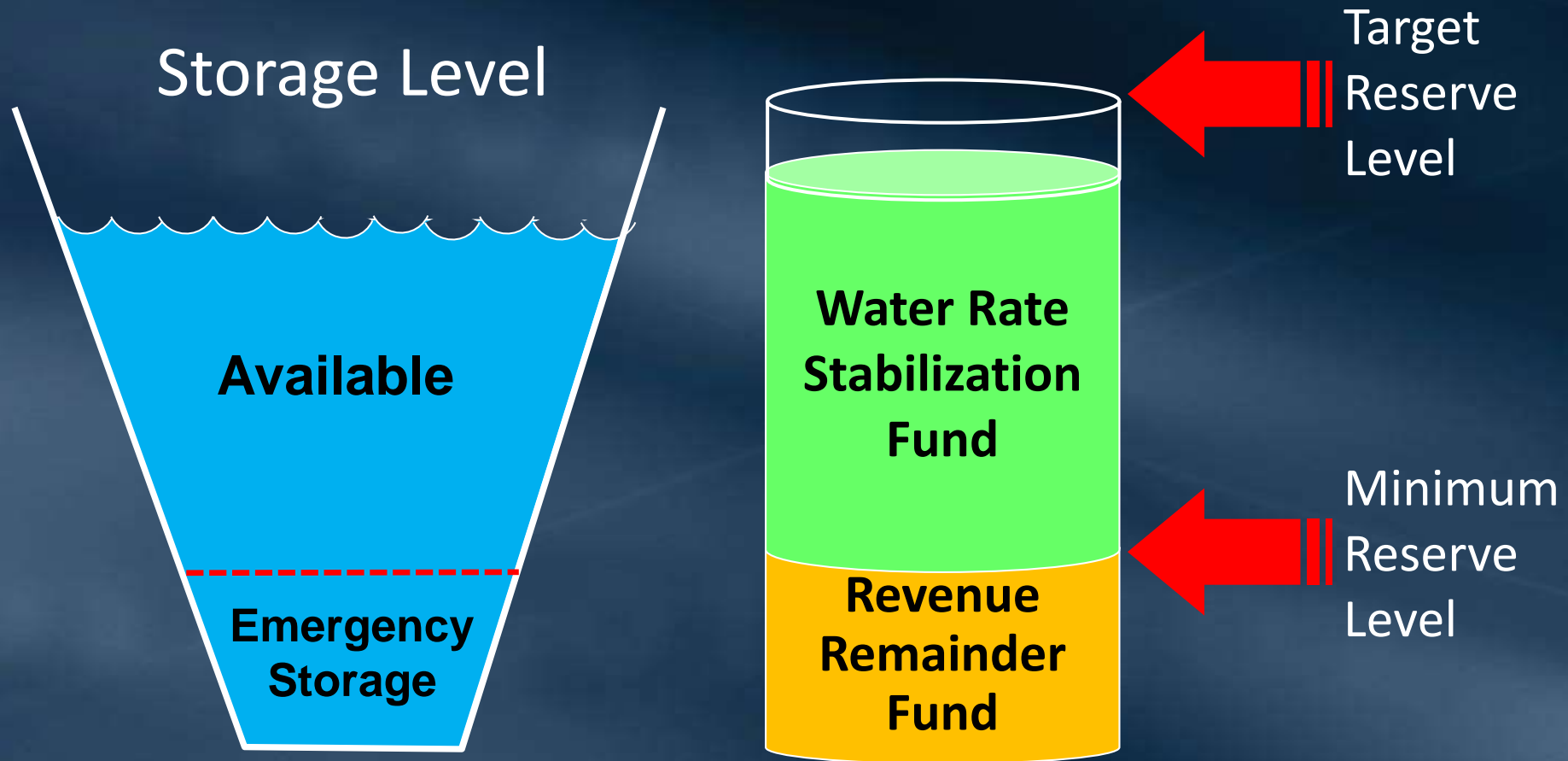
§ 5202. Fund Parameters.

- (a) For the Revenue Remainder Fund cash and securities on hand as of June 30 of each year shall be equal to the portion of fixed costs of the District estimated to be recovered by water sales revenues for the eighteen months beginning with the immediately succeeding July. ...
- (e) Amounts in the Water Rate Stabilization Fund shall be held for the principal purpose of maintaining stable and predictable water rates and charges. The amount to be held in the Water Rate Stabilization fund shall be targeted to be equal to the portion of the fixed costs of the District estimated to be recovered by water sales revenues during the two years immediately following the eighteen-month period referenced in Section 5202(a). ...

Reserve Fund Principles

- Established to smooth out and/or mitigate future water rate increases
- Provides funds to cover revenue shortfall resulting from low water sales
 - Minimum fund level provides 18 months of rate protection
 - Target fund level provides additional 2 years of rate protection for a total of 3.5 years
- Provide stable & predictable water rates
- Provide stable rates for local water resource investment planning
 - MWD rate used as a benchmark

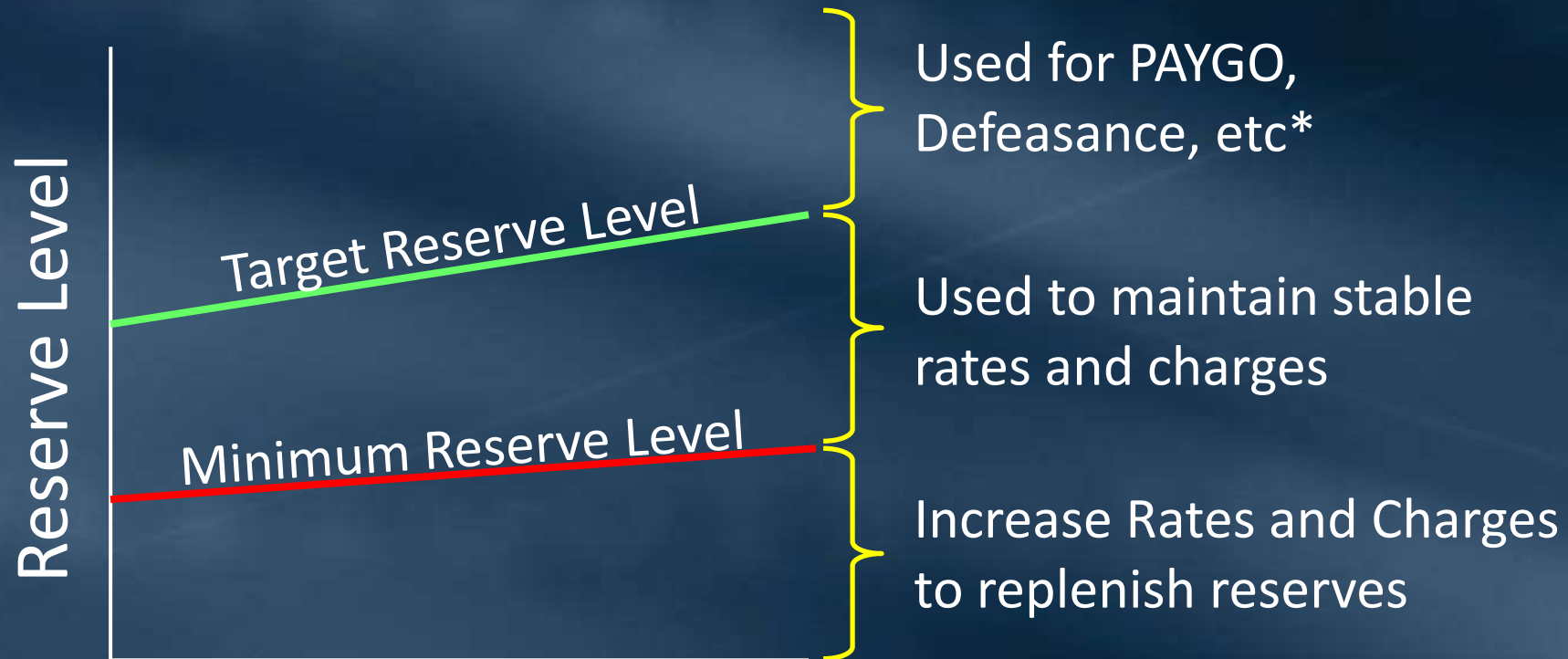
Reserve Fund



Reserve Policy

Reserve Fund Principle:

Provide stable & predictable water rates



* if fixed charge coverage ratio > 1.2x

Use of Reserve Fund

